

BEFORE THE
PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
DOCKET NO. 2019-184-E

IN RE: South Carolina Energy Freedom Act)
(H.3659) Proceeding to Establish)
Dominion Energy South Carolina,)
Inc.'s Standard Offer, Avoided Cost)
Methodologies, Form Contract Power)
Purchase Agreements, Commitment to)
Sell Forms, and Any Other Terms or)
Conditions Necessary (Includes Small)
Power Producers as Defined in 16)
United States Code 796, as Amended))
- S.C. Code Ann. Section 58- 41-)
20(A))

DOMINION ENERGY SOUTH
CAROLINA, INC.'S COMMENTS IN
RESPONSE TO SOUTH CAROLINA
SOLAR BUSINESS ALLIANCE'S
REQUEST

Pursuant to the Public Service Commission of South Carolina's (the "Commission") Order No. 2020-324, issued in the above-referenced docket on April 22, 2020, Dominion Energy South Carolina, Inc. ("DESC") herein submits its comments on the request (the "SCSBA Request") submitted by South Carolina Solar Business Alliance (the "SCSBA") on April 13, 2020. Specifically, the SCSBA Request asks the Commission to "clarify" that DESC is prohibited from collecting any Variable Integration Charges (the "VIC") or Embedded Integration Charges (the "EIC") and collectively with the VIC, the "Integration Charges")¹ until the Commission approves mitigation protocols² that will allow certain solar projects on the DESC system to reduce Integration Charges incurred by the same.³

¹ The difference between the VIC and EIC is largely administrative, as both attempt to recover similar costs. The EIC is currently factored into DESC's avoided cost methodology, while the VIC is meant to collect such costs under certain existing power purchase agreements with rates that do not account for such costs.

² The deadline for DESC to submit such protocols to the Commission is June 1, 2020.

³ The SCSBA Request references only the VIC in some instances, and the VIC and the EIC in others. DESC assumes that the SCSBA Request asks the Commission to prohibit DESC from collecting both charges.

DESC proved in a docketed proceeding before this Commission that its customers incur additional costs as a result of variable, uncontrolled generation on the DESC system. The Commission held that such costs should be borne by the variable, uncontrolled generators causing such costs.⁴ Notwithstanding the Commission's findings, those generators do not want to pay these costs for which they are responsible. Rather, they want DESC's customers to continue paying for expenses associated with their variable, uncontrolled resources.

In furtherance of that goal, the SCSBA, on behalf of these generators, has employed legal and tactical maneuvers to delay imposition of the Integration Charges at every opportunity. They now ask the Commission to prevent DESC from collecting Integration Charges, including retroactive Integration Charges owed to DESC under existing power purchase agreements (each, a "PPA"), which represent costs already incurred by DESC that cannot be mitigated in any way, shape, or form. The SCSBA Request squarely pits the SCSBA against DESC's customers by attempting to propel the cost-shift to DESC's customers and evade responsibility for the increased costs arising from the variable, uncontrolled generators on the DESC system.

BACKGROUND

DESC is a vertically-integrated utility that provides retail electric service to customers in South Carolina. As such, the Public Utility Regulatory Policy Act of 1978, 16 U.S.C. §§ 2601, et seq. ("PURPA") requires DESC to purchase power from renewable generators designated as

⁴ As discussed below, in Order No. 2019-847, the Commission held that the imposition of Integration Charges in an interim amount of \$2.29/MWh was "just and reasonable to customers, consistent with PURPA and FERC regulations and orders, non-discriminatory to QFs, and serve[s] to reduce the risk placed on the using and consuming public." Order No. 2019-847 at 56, issued on December 9, 2019, in Docket No. 2019-184-E. Although the initial value of 2.29/MWh was reduced by the Commission in Order No. 2020-244, the Commission held that the imposition of Integration Charges at such initial value was "supported by the evidence of record." Order No. 2020-244 at 4, issued on March 24, 2020, in Docket No. 2019-184-E.

Qualifying Facilities (each, a “QF”) under PURPA. DESC is required to purchase such power without regard for need, location, or impact on reliability. As a result, the number of variable, uncontrolled solar QFs on the DESC system has increased sharply in recent years. For example, in the summer of 2019, the nameplate capacity of utility-scale solar generation on the DESC system was approximately 425 MW. For the summer of 2020, the nameplate capacity of solar generation on the DESC system is projected to reach over 850 MW—an approximately 100% increase year-over-year—with solar generation capacity expected to approach almost 1,000 MW in the near future. The integration of solar generation on the DESC system, especially in such large amounts, has system-wide consequences that must be accounted for via Integration Charges.

Indeed, even prior to the Commission approving imposition of the Integration Charges, DESC recognized that such charges would likely be required to offset the costs associated with the increasing amounts of variable, uncontrolled generation on the DESC system. As such, DESC included the following language in the prior version⁵ of its form PPA:

Seller shall be responsible for the payment of all charges that result from any change in any applicable law that occurs after the Effective Date that imposes new or additional (i) obligations on a Party to obtain or provide transmission service or ancillary services prior to the Delivery Point, or (ii) variable integration charges or imbalance costs, fees, penalties, or expenses, or provides benefits that, in the case of either clauses (i) or (ii), are imposed, assessed or credited by the transmission provider based on the impacts of energy generated by variable generation projects generally (collectively, the “Variable Integration Costs”).

This language expressly contemplates the imposition of Integration Charges, and plainly places the responsibility for such charges upon the QF generator. This language and corresponding allocation of responsibility was accepted by the Commission, and DESC currently manages 17 PPAs in which generators agreed to this exact language. As such, what the SCSBA truly asks of

⁵ DESC’s current PPA does not contain such language, as Integration Charges are now accounted for in DESC’s avoided cost calculations.

this Commission is to annul its prior holdings and invalidate express, Commission-accepted contractual language to shift these costs to DESC's customers rather than the generators necessitating such costs.

DESC RESPONSE⁶

The Commission considered DESC's proposal to implement Integration Charges in Docket No. 2019-2-E. There, DESC Witness Tanner explained to the Commission that (a) solar generation adds uncertainty to the generation required from the rest of the DESC system and (b) as a result of such uncertainty, DESC must maintain additional operating reserves to prevent "an unacceptable number of hours where [DESC] will face a shortfall in its available operating reserves." Docket No. 2019-2-E, Direct Testimony of Matthew W. Tanner, Ph.D., page 11, lines 1-8. DESC Witness Tanner went on to explain that such reserves held by DESC must necessarily increase as solar generation is added to the DESC system. *See id.* As a result, DESC proposed to recover such costs through Integration Charges imposed upon the generators necessitating such reserves.

However, in an attempt to delay the Commission's consideration of Integration Charges in Docket No. 2019-2-E, the SCSBA requested that the Commission bifurcate from that docket issues related to avoided costs rates, net energy metering valuations, and Integration Charges for consideration on a later date. *See* SCSBA's Motion to Bifurcate Proceeding, filed on March 13, 2019, in Docket No. 2019-2-E. The Commission granted the SCSBA's request for bifurcation of those issues, but stated that once those rates were updated in a future proceeding, those rates would be subject to a "true up." Order No. 2019-43-H, issued on April 1, 2019, in Docket No. 2019-2-E.

⁶ DESC filed a letter containing its initial responses to the SCSBA Request in this docket on April 16, 2020. As such, DESC hereby incorporates by reference that letter as if it were repeated verbatim herein.

When the Commission once again considered the issue of Integration Charges in Docket No. 2019-184-E, DESC Witness Hanzlik explained that the additional reserves on the DESC system referenced by DESC Witness Tanner⁷ are necessary because “it cannot be reliably predicted when solar panels will either reduce or increase their output” and the reserves ensure that DESC is able to maintain system reliability and comply with applicable balancing standards. Docket No. 2019-184-E, Rebuttal Testimony of Thomas E. Hanzlik, page 9, lines 13-16.

To compensate DESC—and, ultimately, its customers—for the costs to maintain increased operating reserves on the DESC system arising from the influx of solar generation under PURPA, DESC requested approval from the Commission to collect Integration Charges. *See* Docket No. 2019-184-E, Direct Testimony of Allen W. Rooks, page 11, lines 11 and 12. Based on the foregoing, the Commission issued Order No. 2019-847 on December 9, 2019 (the “2019 Order”), and recognized that there are costs incurred as a result of integrating variable, uncontrolled resources, agreed with DESC’s proposal to impose Integration Charges, assigned a value to the Integration Charges, and expressly permitted DESC to recover Integration Charges at that value. The Commission further permitted DESC to retroactively recover the Integration Charges at that value through a “true-up” mechanism, which permitted DESC to recover Integration Charges it would have collected since May of 2019. *See* 2019 Order at 95.

In short, consistent with S.C. Act No. 62 of 2019’s mandate, the Commission approved the imposition of the Integration Charges and determined that holding variable, uncontrolled generators accountable—rather than DESC’s customers—for the costs incurred as a result of such

⁷ DESC Witness Tanner also submitted Direct Testimony in Docket No. 2019-184-E reiterating the need for additional reserves he cited in his Direct Testimony in Docket No. 2019-2-E prior to bifurcation: “As more solar generation is interconnected with [DESC’s] system, DESC will need to hold an increasing amount of reserves to integrate it.” Docket No. 2019-184-E, Direct Testimony of Matthew W. Tanner, Ph.D., page 15, lines 11 and 12.

generation is “just and reasonable to customers” and serves “to reduce the risk placed on the using and consuming public.” 2019 Order at 56. Although that value was modified by Order No. 2020-244 (the “2020 Order”), dated March 24, 2020, issued in the above-referenced docket, nowhere in the 2020 Order did the Commission modify or hold in abeyance its finding in the 2019 Order that DESC may impose Integration Charges.

The 2020 Order also requires DESC to “file proposed mitigation protocols for Commission consideration” that may reduce the Integration Charges incurred by such solar projects. 2020 Order at 14. The current deadline for DESC to file such protocols (the “Protocols”) is June 1, 2020. However, nowhere in the 2019 Order or 2020 Order—which expressly addressed DESC’s obligation to file the Protocols—does the Commission even hint at prohibiting the collection of Integration Charges until the Protocols are approved by the Commission. Indeed, DESC has an obligation to DESC’s customers to collect the costs it incurs as a direct result of generators on the DESC system that generate energy using variable, uncontrolled resources.⁸ Because DESC’s customers are incurring these costs, it is not only just and reasonable, but it is a matter of basic decency that generators who cause these costs—and not DESC’s customers—pay the Integrations Charges. The costs are proven and continue to mount, regardless of the possibility that certain projects may be able to mitigate those costs at a later date—so the immediate priority should be to properly allocate these costs. As such, these costs should be allocated to those generators necessitating such costs until it can be demonstrated that the same generators are operating in a manner that demonstrably reduces the costs incurred by DESC to maintain such variable, uncontrolled generation on the DESC system.

⁸ The SCSBA Request does not challenge the Commission’s finding that there are costs associated with integrating variable generation.

Despite all of the foregoing—including the well-developed record before the Commission that DESC incurs these Integration Charges and the contractual language clearly allocating responsibility for such charges in numerous existing PPAs—the SCSBA Request asks the Commission to make DESC’s customers responsible for the costs caused by its members. DESC respectfully requests that the Commission deny the SCSBA Request given that these are incurred costs which (a) the Commission ordered to be imposed upon the generators necessitating such costs and (b) solar developers contractually obligated themselves to pay without any associated condition related to the Protocols or any similar mitigation mechanism.

CONCLUSION

The SCSBA Request simply contorts the Commission’s holdings to further postpone DESC from collecting costs incurred by DESC as a result of variable, uncontrolled generation placed on the DESC system. Rather than requesting that the Commission “clarify” the 2020 Order, the SCSBA Response actually requests that the Commission nullify its prior holdings and abrogate existing PPAs—which contain mutually-agreed upon language addressing precisely this scenario—to harm DESC’s customers by prohibiting DESC from collecting Integration Charges. To be clear, DESC will continue to collect the Integration Charges once the Commission approves the Protocols, but the Protocols may be used by projects on a case-by-case basis to reduce or eliminate that specific project’s obligation to pay the Integration Charges, so long as that project can prove it “materially reduces or eliminates the need for additional ancillary service requirements . . . [and] should be afforded a reduction or waiver of the [Integration Charges].” 2020 Order at 7 (emphasis added).

In short, a complete prohibition on collecting Integration Charges for any amount of time harms DESC’s customers and is not supported in fact or in law. As such, DESC respectfully

requests that the Commission deny the SCSBA Request and uphold its previous orders and contractual language that it accepted to permit DESC to collect the Integration Charges in the manner and values established by the Commission.

[SIGNATURE BLOCK APPEARS ON FOLLOWING PAGE]

Respectfully Submitted,

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Cayce, South Carolina
May 22, 2020

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THE PUBLIC SERVICE COMMISSION
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Conditions Necessary (Includes Small)
Power Producers as Defined in 16)
United States Code 796, as Amended))
- S.C. Code Ann. Section 58- 41-)
20(A))

CERTIFICATE OF SERVICE

This is to certify that I have caused to be served on this day one (1) copy of **DOMINION ENERGY SOUTH CAROLINA, INC.'S COMMENTS IN RESPONSE TO SOUTH CAROLINA SOLAR BUSINESS ALLIANCE'S REQUEST** via electronic mail and U.S. First Class Mail upon the persons named below, addressed as follows:

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s/ J. Ashley Cooper

This 22nd day of May, 2020.